

WHB083

No Objection to Declassification in Full 2010/08/24 : LOC-HAK-548-6-11-5

ETS-HF-AD10907

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FM THE SITUATION ROOM TOHAK 164

TO RODMAN/LORD FOR MR. KISSINGER

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T ONVNS E C R E T/SENSITIVE/CONTAINS CODEWORD CITE WH 30511

ON-FILE NSC RELEASE INSTRUCTIONS APPLY

TOHAK 164

DELIVER ON OPENING OF BUSINESS

NSA Review
Completed

MEMORANDUM FOR DR. KISSINGER

FROM: THE SITUATION ROOM

SUBJECT: NOON NOTES

MORI/CDF
C03360290

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NVA LOGISTIC ACTIVITY IN LAOS TO CONTINUE AFTER CEASE-FIRE:

COMMUNICATIONS INTELLIGENCE INDICATES THAT NORTH VIETNAMESE LOGISTIC UNITS IN SOUTHERN LAOS ARE MAKING PREPARATIONS TO CONTINUE ACTIVITY AFTER A CEASE-FIRE GOES INTO EFFECT IN LAOS. IN ONE MESSAGE OF FEBRUARY 10, A MAJOR LOGISTIC AUTHORITY NOTIFIED TWO SUBORDINATES THAT AFTER "D-DAY IN LAOS," ROUTES 911, 914, AND 99, WHICH RUN NORTH-SOUTH THROUGH THE TCHEPONE-BAN BAC AREA, WOULD BECOME PRIMARY ROADS. ALL REPAIRS AND IMPROVEMENTS TO THESE ROUTES ARE TO BE COMPLETED BY FEBRUARY 28. THIS CONCENTRATION OF ACTIVITY SUGGESTS THAT THE EASTERN ROAD CORRIDOR WILL BE USED TO A GREATER EXTENT AND THAT THE NEWLY-BUILT ROUTE 29 TO THE WEST WILL SEE LESS TRAFFIC.

EVIDENCE OF COSVN RETURNING TO SOUTH VIETNAM: THE COMMUNISTS APPARENTLY ARE REESTABLISHING THEIR TOP-LEVEL COMMAND FOR POLITICAL AND MILITARY AFFAIRS INSIDE SOUTH VIETNAM. OVER THE PAST FEW MONTHS, SEVERAL MAJOR VIET CONG MILITARY HEADQUARTERS COMPONENTS HAVE BEEN MOVING TO AN AREA OF NORTHEASTERN TAY NINH PROVINCE -- OCCUPIED BY COSVN PRIOR TO 1970. THESE MOVES INVOLVE ENTITIES FROM WIDELY SEPARATE POINTS IN SOUTH VIETNAM AND CAMBODIA, INCLUDING A HEADQUARTERS ELEMENT OF THE VIET CONG'S "LIBERATION ARMY" AND SEVERAL OF ITS TACTICAL AND INTELLIGENCE FIELD UNITS. A RADIO STATION SERVING THE POLITICAL SIDE OF COSVN HAS ALSO BEEN DETECTED IN THE AREA.

THESE RELOCATIONS ARE IN LINE WITH OTHER RECENT MOVES AIMED AT CONSOLIDATING COMMAND AND CONTROL ELEMENTS DISPERSED THROUGH THE AREA BY ALLIED OPERATIONS IN 1970. THE CONSOLIDATION MAY ALSO HAVE BEEN UNDERTAKEN TO FACILITATE COSVN'S PARTICIPATION

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IN DEVELOPMENTS ASSOCIATED WITH THE CEASE-FIRE. FOR EXAMPLE, THE EXTENSIVE NEW COMMUNICATIONS COMPLEX SET UP TO SERVE THE TWO VIETNAMESE DELEGATIONS IN THE SAIGON AREA IS LINKED CLOSELY WITH THE HEADQUARTERS OF THE VIET CONG'S LIBERATION ARMY, AS WELL AS WITH THE NORTH VIETNAMESE HIGH COMMAND IN HANOI.

PRC INADVERTENTLY DISCLOSES DEFICIENCY: IN ITS DESIRE TO OBTAIN U.S. TECHNOLOGY, THE PRC MAY HAVE INADVERTENTLY DISCLOSED A DEFICIENCY IN ITS SOLID-PROPELLANT PRODUCTION PROGRAM. PEKING IS SEEKING TO BUY A PLANT, OR AT LEAST OBTAIN A LICENSING AGREEMENT TO ACQUIRE THE NECESSARY TECHNICAL DATA, TO PRODUCE SPHERICAL ALUMINUM POWDER. THIS POWDER IS AN ESSENTIAL COMPONENT OF THE SOLID PROPELLANT USED IN THE MINUTEMEN AND POSEIDON BALLISTIC MISSILES. PEKING'S LACK OF THE POWDER MAY HAVE DELAYED THEIR SOLID PROPELLANT PROGRAM. WHILE THEY HAVE HAD AN EXTENSIVE PROGRAM TO DEVELOP SOLID PROPELLANT MOTORS FOR SEVERAL YEARS, THEY APPARENTLY AS YET HAVE NOT BEEN ABLE TO FLIGHT-TEST A VIABLE SOLID-FUEL MISSILE SYSTEM.

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CHINESE RESPONSE TO MONETARY UNCERTAINTY: ON THE EVE OF THE DOLLAR DEVALUATION, CHINA ANNOUNCED TEMPORARY BANKING MEASURES TO DEAL WITH MONETARY UNCERTAINTY. SHE SUSPENDED THE POSTING OF FOREIGN EXCHANGE REMITTANCE AND CURRENCY QUOTATIONS FOR THE HONG KONG DOLLAR, JAPANESE YEN, U.S. AND CANADIAN DOLLAR, AND VARIOUS EUROPEAN CURRENCIES. LARGE PAYMENTS AND PRIVATE PURCHASES OF FOREIGN EXCHANGE WERE STOPPED. CERTAIN LIMITED INTERNAL TRANSACTIONS INCLUDING THOSE OF TOURISTS, GUESTS, AND DIPLOMATIC PERSONNEL WERE CONTINUED AT PREVIOUS EXCHANGE RATES. AT LEAST TWO DEUTSCHE MARK DEPOSITS, HELD FOR NORTH KOREA BY CHINESE BANKS, WERE TERMINATED TO AVOID PAYMENT OF NEGATIVE INTEREST RATES.

INTERNATIONAL MONETARY DEVELOPMENTS: MOST MAJOR EXCHANGE MARKETS REOPENED TODAY AMID FAVORABLE REACTION FROM BOTH GOVERNMENTS AND TRADERS TO THE TEN PERCENT DEVALUATION OF THE DOLLAR RELATIVE TO GOLD. THE LONDON MARKET WAS THE ONLY MAJOR EXCHANGE OPEN YESTERDAY AND TRADING WAS REPORTED "UNSETTLED AND HESITANT," WITH MOST ACTIVITY CENTERED IN CONTRACTS THAT ALLOWED FOR RATE FLUCTUATION. STERLING CLOSED ABOUT 2.5 PERCENT HIGHER THAN FRIDAY'S CLOSING LEVEL. THE WEST GERMAN MARK FLUCTUATED IN LONDON AT 6-7 PERCENT HIGHER THAN ITS SMITHSONIAN CEILING IN TERMS OF STERLING. MOST MAJOR CURRENCIES

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WILL MAINTAIN THEIR PARITIES RELATIVE TO GOLD. THE CANADIAN DOLLAR AND THE BRITISH POUND CONTINUE TO FLOAT AND WILL BE JOINED BY THE ITALIAN COMMERCIAL LIRA.

THE JAPANESE FOREIGN EXCHANGE MARKET REOPENED THIS MORNING WITH THE YEN FLOATING UPWARD TO AN INITIAL LEVEL OF AN EFFECTIVE 14-15 PERCENT REVALUATION AGAINST THE DOLLAR. THE JAPANESE FINANCE MINISTER SAID THE YEN WOULD BE ALLOWED TO FLOAT FOR A CONSIDERABLE LENGTH OF TIME, PERHAPS AS LONG AS THE FOUR-MONTH FLOAT IN THE LATTER PART OF 1971. THE BANK OF JAPAN BEGAN INTERVENING SHORTLY AFTER THE MARKET OPENED, IN AN EFFORT TO HOLD THE YEN REVALUATION TO AN EFFECTIVE 13.6 PERCENT. THE BANK REPORTEDLY PURCHASED \$170 MILLION DURING THE MORNING SESSION, A CONSIDERABLE AMOUNT FOR THE TIGHTLY CONTROLLED MARKET. INTERVENTIONS ARE EXPECTED TO CONTINUE AS SPECULATORS STILL FEEL THE YEN IS UNDERVALUED.

A HIGH-LEVEL BONN FINANCE OFFICIAL EMPHASIZED THAT THE MARK WILL RETAIN ITS PRESENT PARITY AGAINST ALL CURRENCIES, EXCEPT THE DOLLAR AND THE FLOATING CURRENCIES. HE ESTIMATED THAT THE AVERAGE REVALUATION OF THE MARK IN RELATION TO THE CURRENCIES OF GERMANY'S TRADE PARTNERS WOULD BE ABOUT TWO PERCENT. FOREIGN REACTION TO THE DEVALUATION WAS GENERALLY FAVORABLE, ALTHOUGH THE FRENCH, FOR EXAMPLE, FELT A SEVEN PERCENT RATE WOULD HAVE BEEN MORE REALISTIC. THE FEELING IN EUROPE WAS THAT THE MOVE HAD ENDED THE CRISIS AT LEAST FOR THE PRESENT. THERE IS, HOWEVER, STILL CAUTION ABOUT THE LONG-TERM PROSPECTS.

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